



# Performance and Outlook

November 2015

# Agenda

- Macro Picture
- Performance Highlights
- Q&A

# Agenda

- Macro Picture

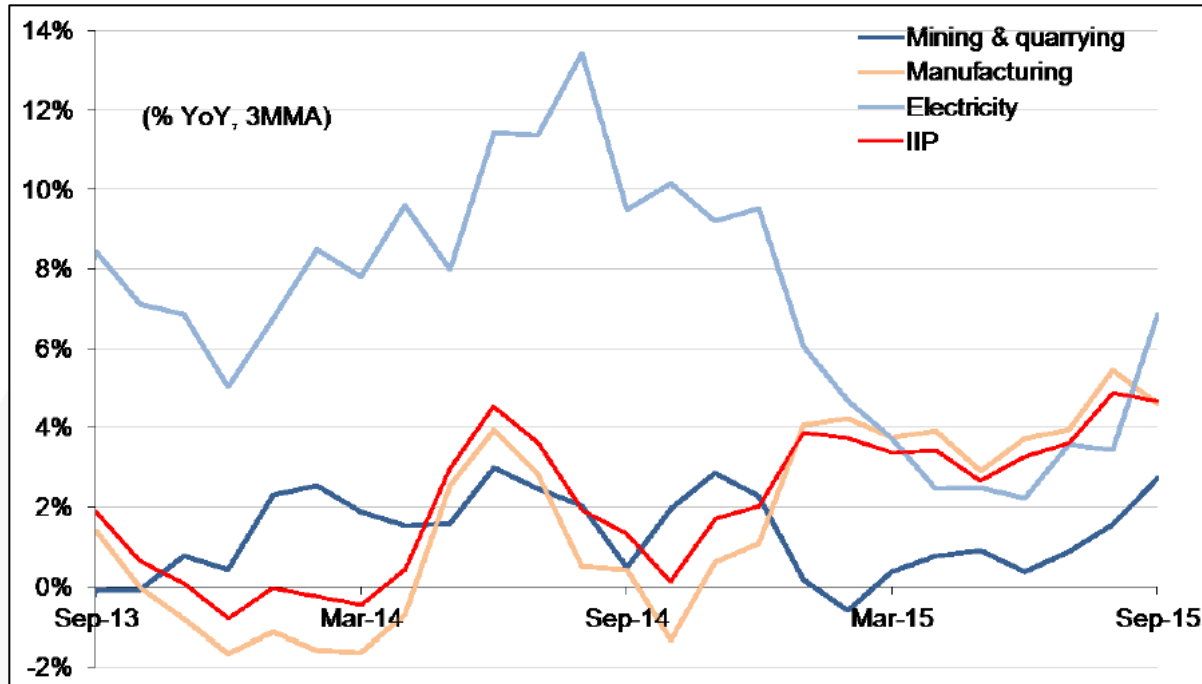
- Fundamentals (IIP)
- Output conditions
- Rates
- Inflation
- Credit and Deposit growth

- Performance Highlights

- Q&A

# Core fundamentals are improving mildly in recent months

## Growth in IIP and Components

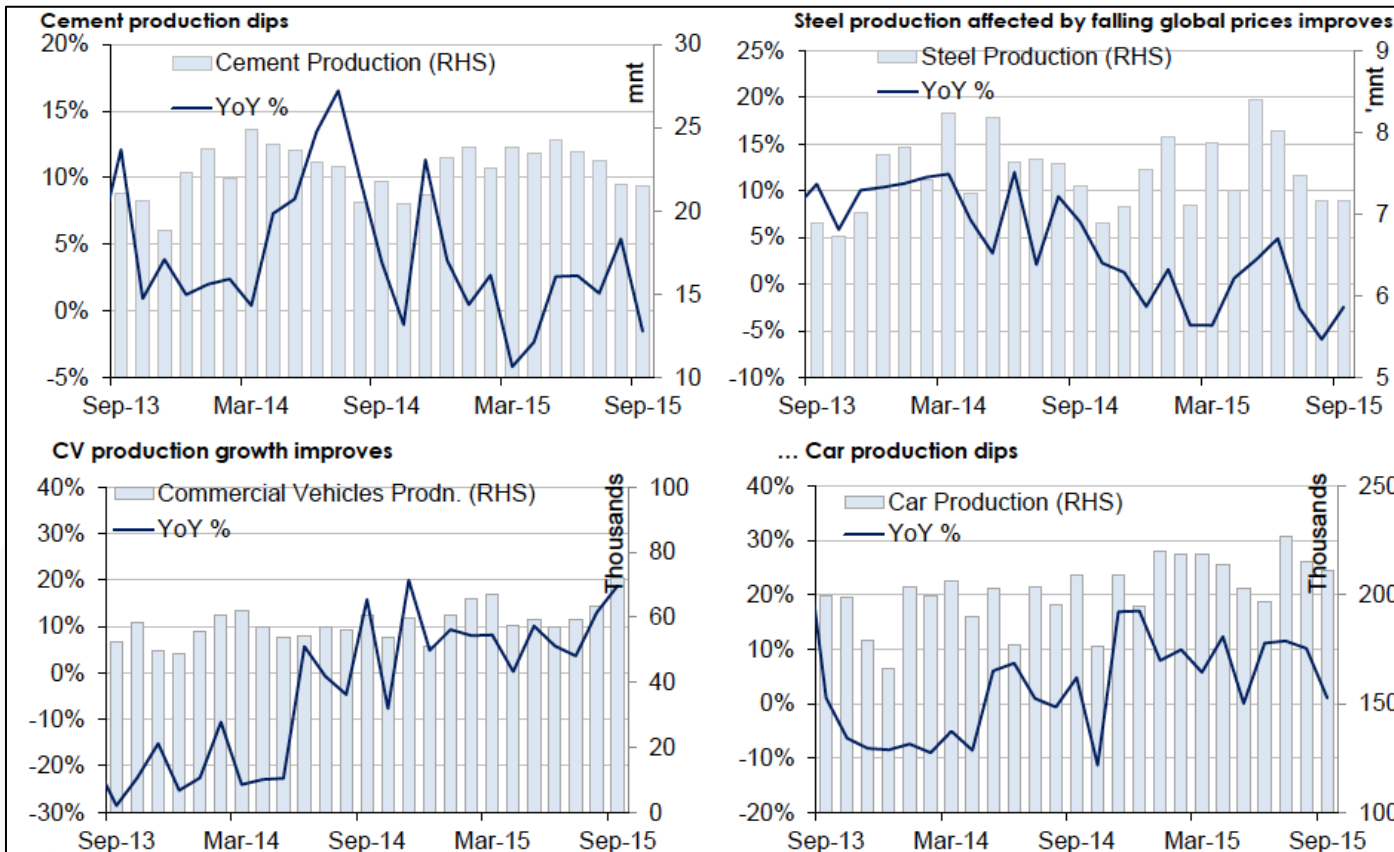


Source: MOSPI; Axis Bank Research

- On FYTD basis, IIP growth of 3.9% vs 2.9% last year
- Manufacturing up almost 2X (4.1% vs 2.2%)
- Electricity up sharply in recent months, particularly thermal power generation
- Within manufacturing, capital goods sector has been the star performer

# However, output conditions are not showing a lot of strength

## Sample output indicators

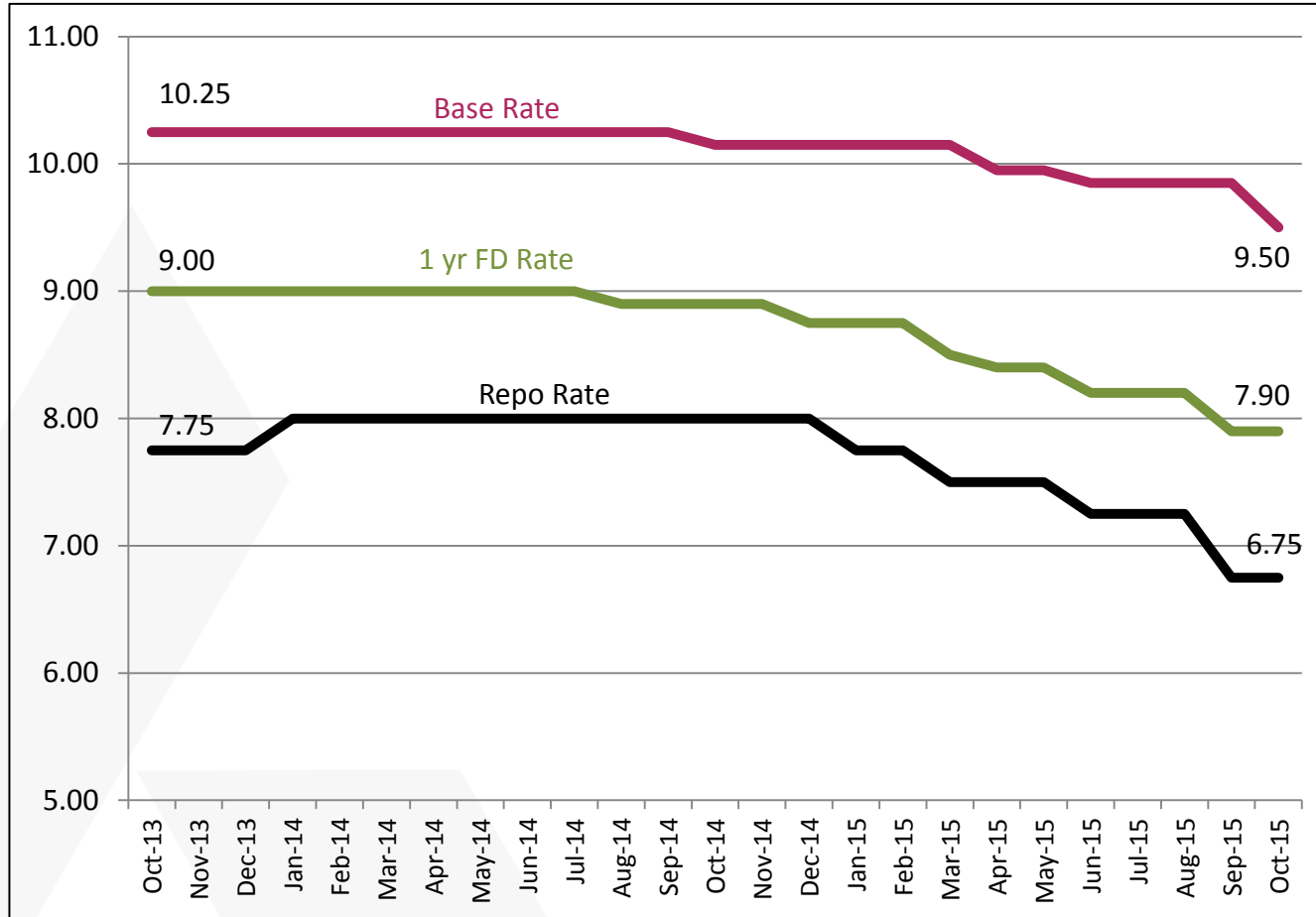


- Cement production is negative y-o-y
- Steel production is negative y-o-y
- Cars and CVs have had a slightly better year so far, with an average of ~10% y-o-y growth

Source: MOSPI; Axis Bank Research

# RBI continues to ease rates and the easing is being transmitted by banks, both on deposit and lending side

*Repo Rate vs Axis Bank Lending and Deposit Rates (%)*

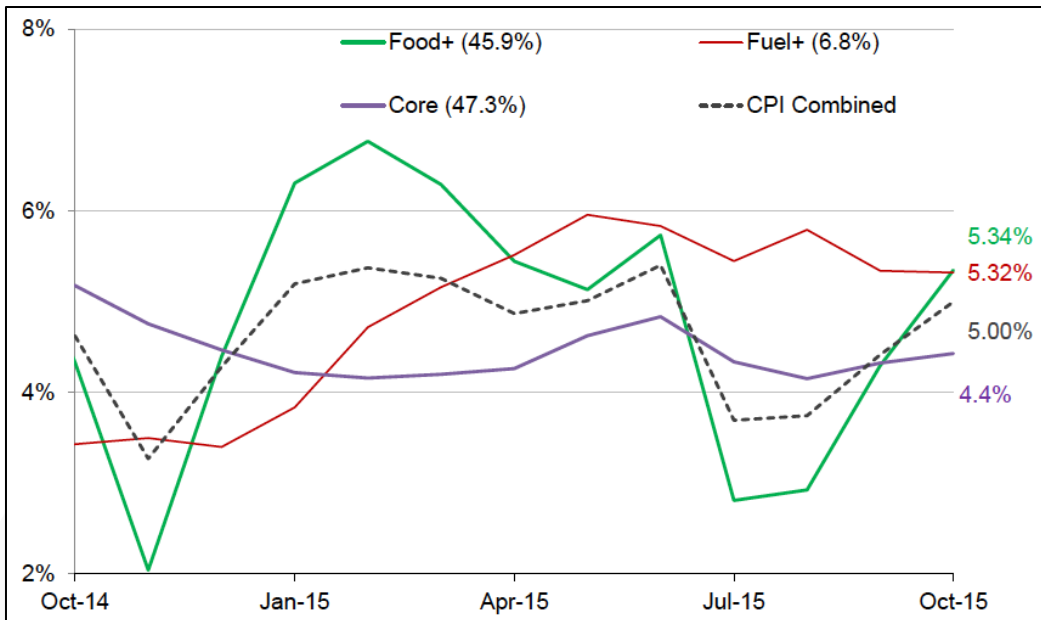


- 50 bps rate cut by RBI in September
- Banks responded with significant transmission – 35 bps in the case of Axis Bank

Source: Bloomberg; Axis Bank

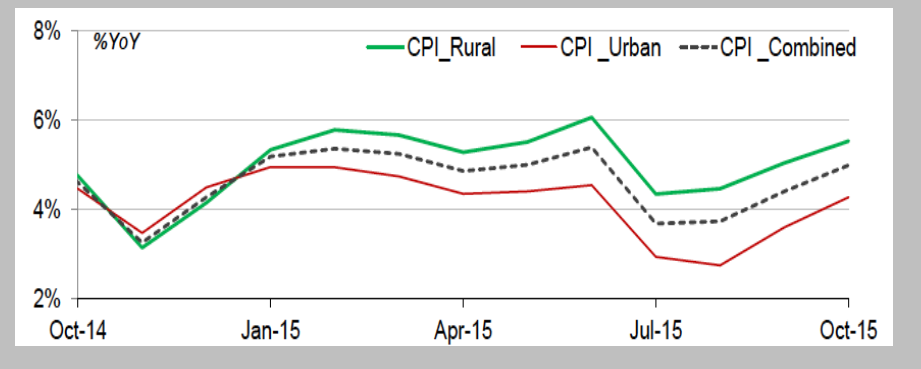
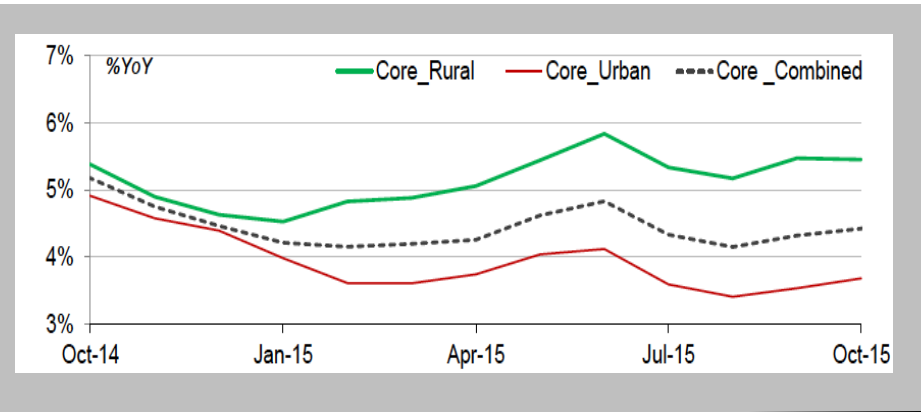
# Benign inflation, but unevenly distributed

## CPI Inflation and components ...



Source: MOSPI; Axis Bank Research

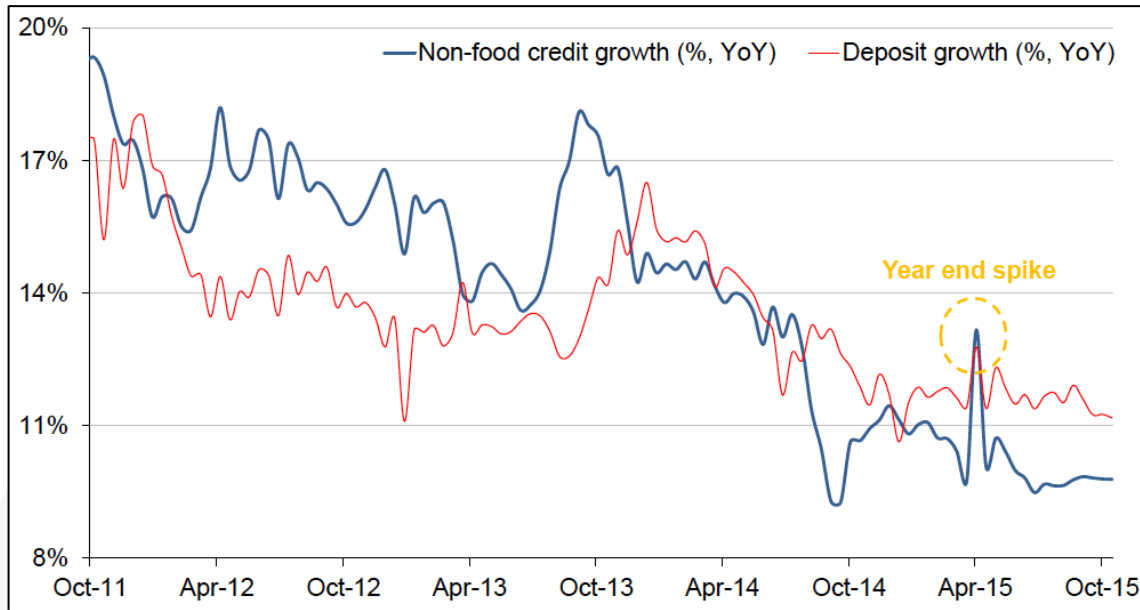
## ... Urban vs Rural



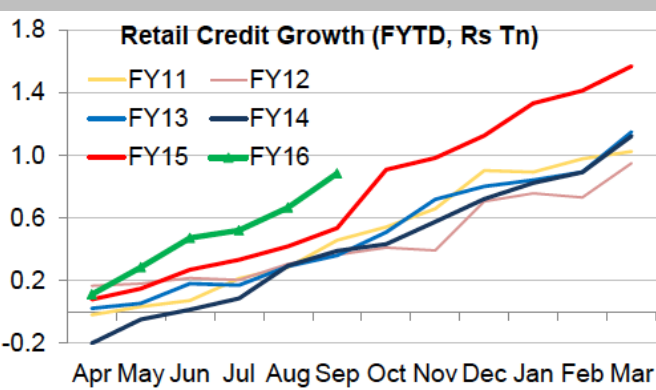
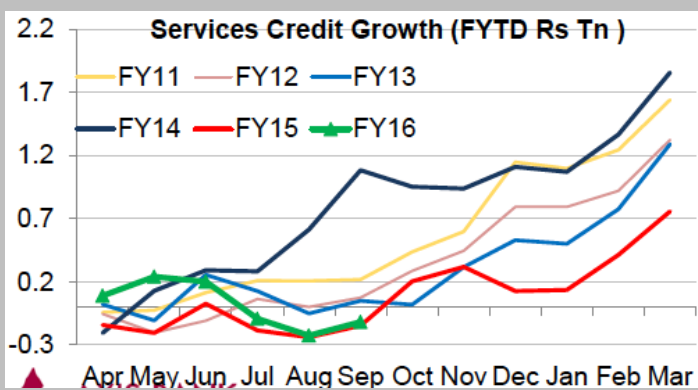
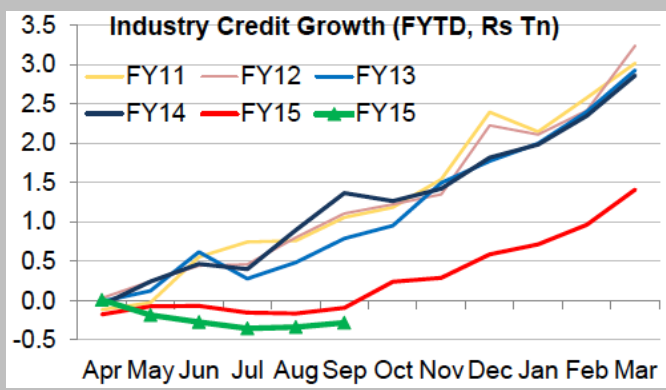
- CPI Inflation is up over 5% YOY, driven primarily by food
- Rural India continues to see much higher inflation than Urban India
- Household inflation expectations, which had fallen sharply in H2 last year, have gone up steadily this year

# Credit and deposit growth are near multi year lows

## Banking system credit and deposit growth



- Non-food credit growth at 9.2%; deposit growth at 11.1%
- Sectorally, the credit story is all in Retail
- Incremental credit to Industry and Services continue to be negative, YTD
- Retail growth strong, at 18% y-o-y, led by unsecured lending and Housing





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- Macro Picture

- Performance Highlights

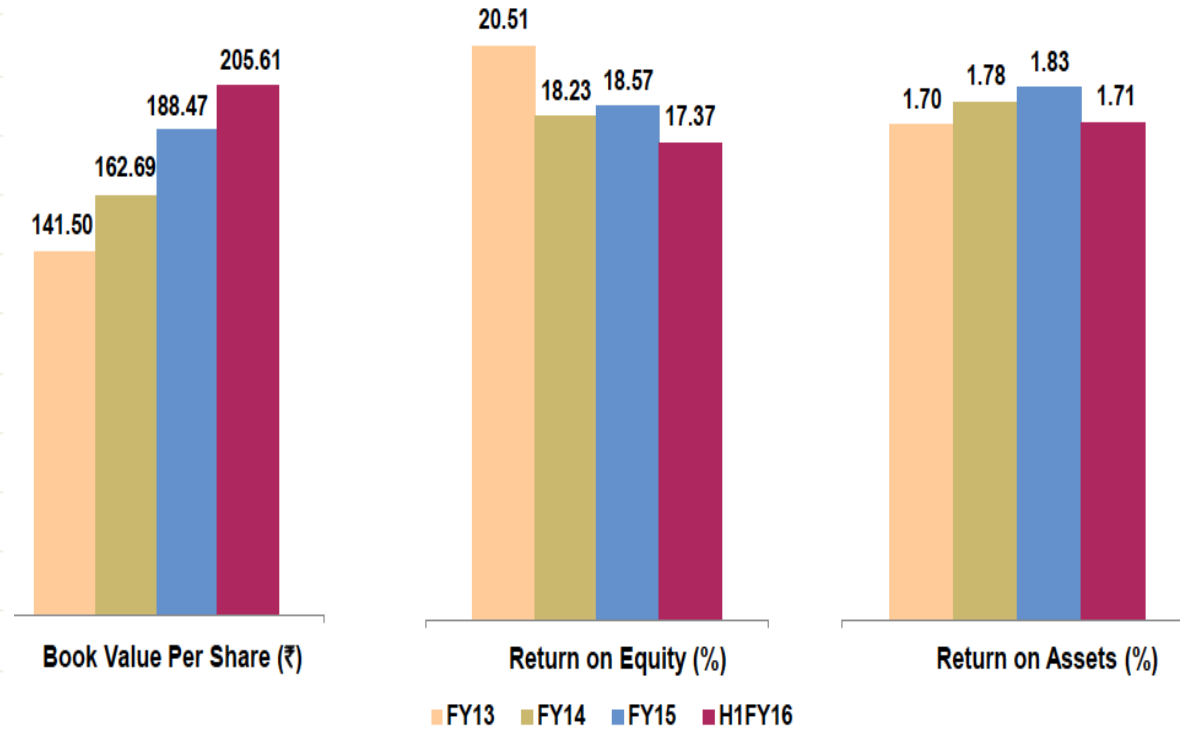
- Q&A

# The Bank continues to deliver strong growth and consistent shareholder returns

Snapshot (As on September 30, 2015)

Total Assets	₹4,72,725 crores
Net Advances	₹2,98,066 crores
Total Deposits	₹3,24,101 crores
Net Profit (Q2FY16)	₹1,916 crores
Net Profit (H1FY16)	₹3,894 crores
Shareholders' Funds	₹48,892 crores
Diluted EPS (annualised)	₹32.54
ROA (H1FY16)	1.71%
ROE (H1FY16)	17.37%
Net NPA Ratio	0.48%
Basel III Tier I CAR <sup>1</sup>	12.21%
Basel III Total CAR <sup>1</sup>	15.42%
Saving Bank Accounts (No.)	159 lac
Branches <sup>2</sup>	2,743
International Presence <sup>3</sup>	8
ATMs	12,352










Consistently strong shareholder returns



<sup>1</sup> Includes profits for the half year; <sup>2</sup> Include extension counters; <sup>3</sup> Includes overseas subsidiary in UK

# H1 has seen satisfactory performance on most key outcomes

## Strong financial performance in H1FY16

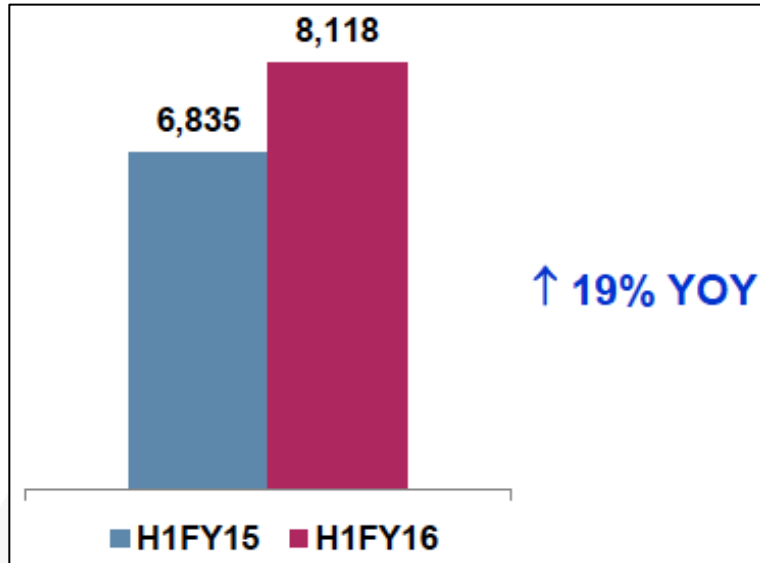
	<u>H1FY16</u>
<b>Net Profit</b>	 <b>19% YOY</b>
<b>Net Interest Income</b>	 <b>19% YOY</b>
<b>Fee Income</b>	 <b>13% YOY</b>
<b>Core Operating Revenue</b>	 <b>17% YOY</b>
<b>Core Operating Profit</b>	 <b>26% YOY</b>
<b>CASA<sup>1</sup></b>	 <b>13% YOY</b>
<b>CASA (Daily Average)</b>	 <b>14% YOY</b>
<b>Total Deposits<sup>1</sup></b>	 <b>14% YOY</b>
<b>Total Advances<sup>1</sup></b>	 <b>23% YOY</b>

- Retail franchise continues to gain traction
  - Strong CASA and RTD growth
  - CASA+RTD = 80% of total deposits
  - Retail advances growth of 27% YOY
  - Retail Loans now 40% of total loans
- Strong growth in core operating revenue and profits
- Strong capital position – Tier1 CAR<sup>2</sup> 12.2% and Total CAR<sup>2</sup> 15.4%
- Conservatively provisioned – 78% provision coverage ratio

<sup>1</sup> As on 30<sup>th</sup> September 2015; <sup>2</sup> Includes profits for H1FY16

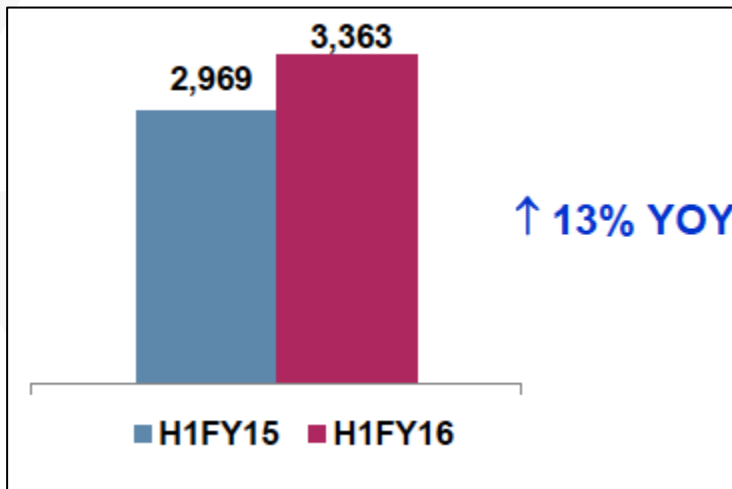
# Core revenue streams have been growing steadily, providing a powerful and predictable revenue engine ...

*Net Interest Income (₹ Cr)*

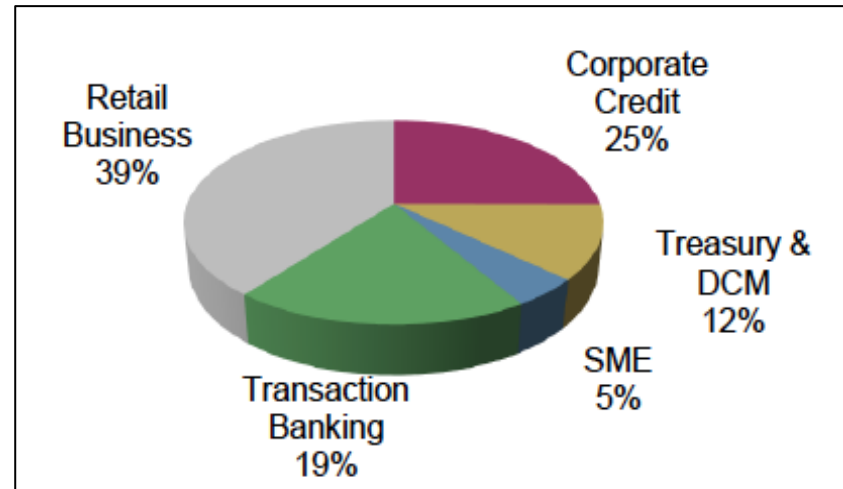


- Steady growth in NII (CAGR of 21% since 2012)
- Robust growth in core fee line
- Continued diversification in sources of Fee Income
- Increasing amounts of fee coming from granular retail business, and flow based transaction banking solutions

*Fee Income (₹ Cr)*



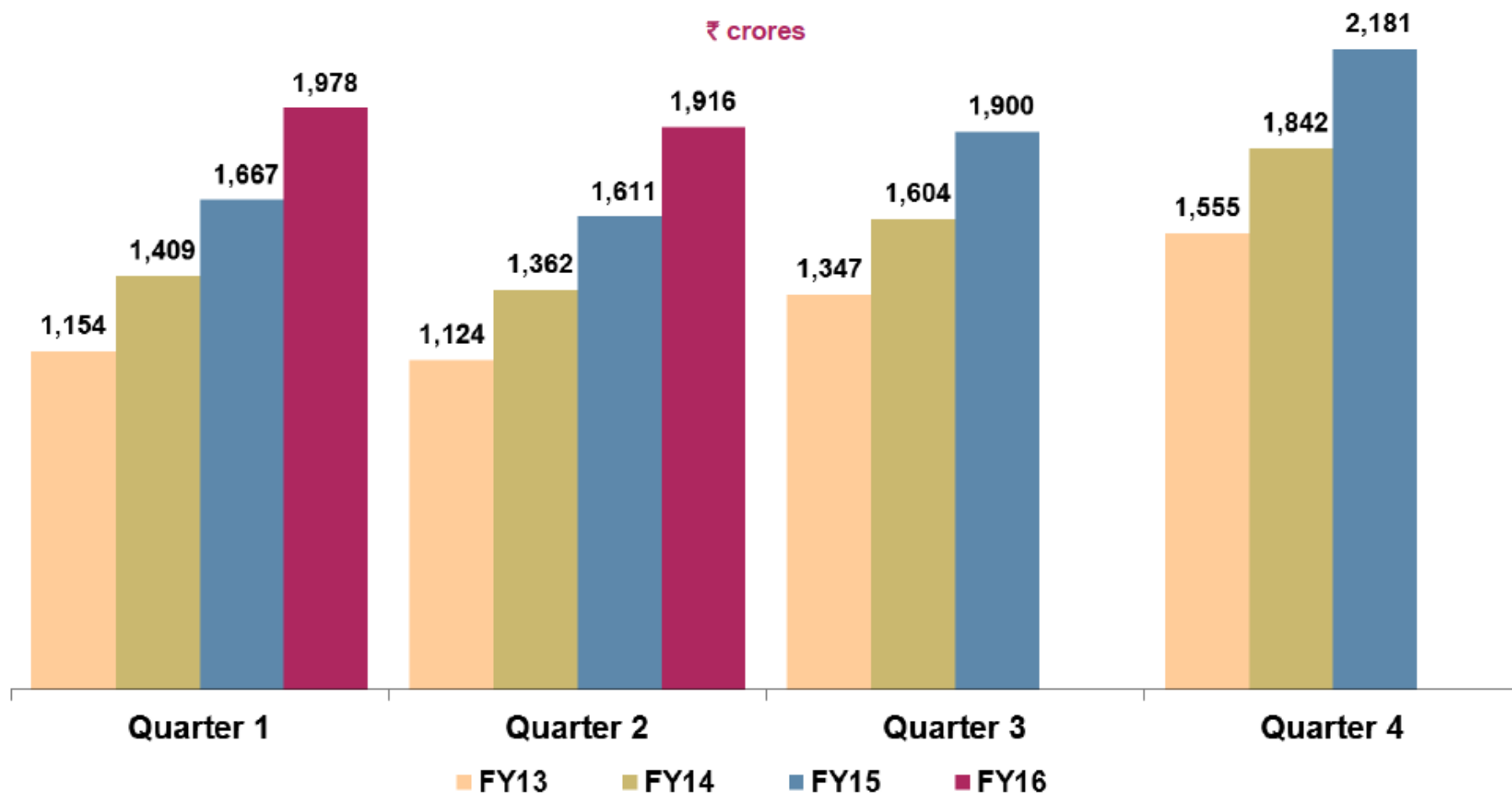
*Fee Share (₹ Cr) H1FY16*



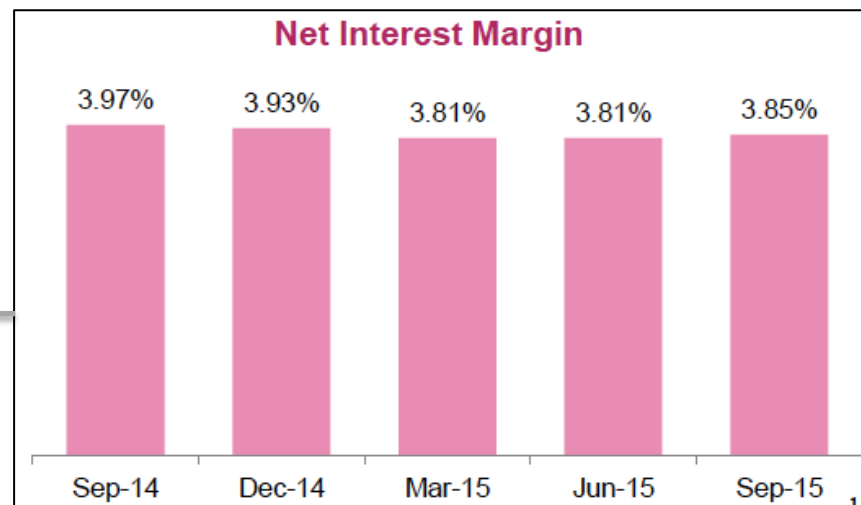
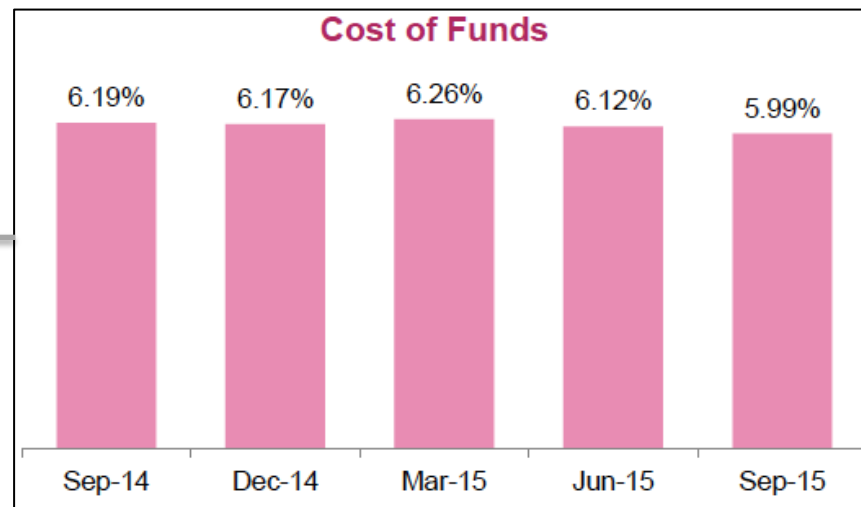
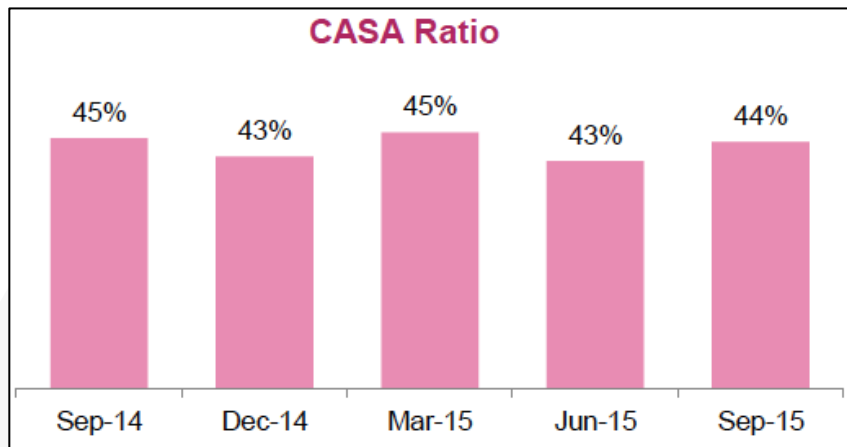
... Resulting in steady PAT delivery year on year

## Quarterly Net Profits

₹ crores

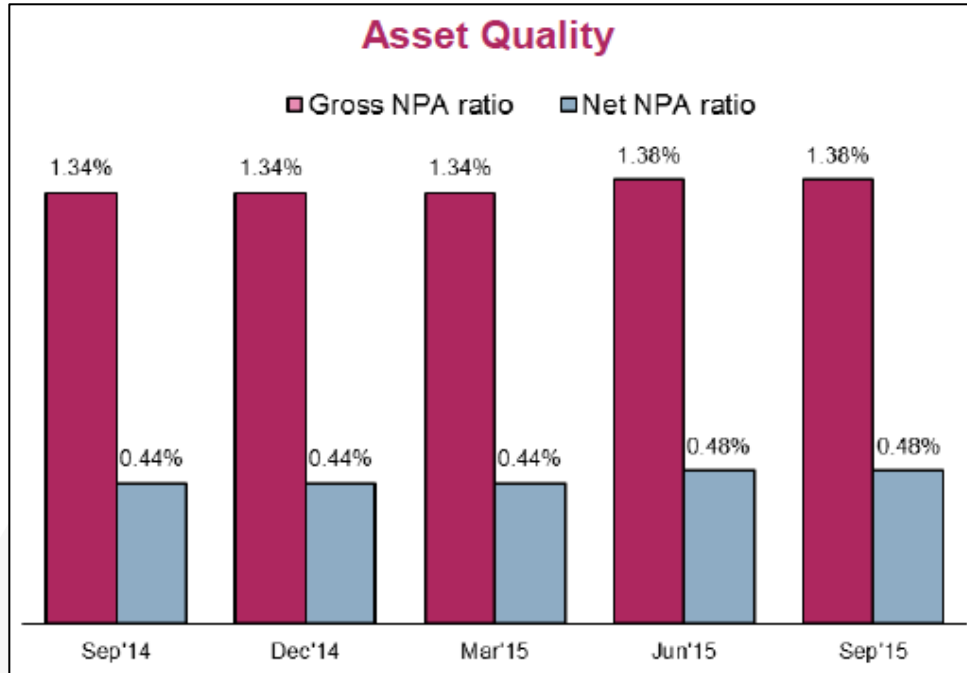


# Our time-tested CASA franchise drives steady cost of funds and healthy NIMs

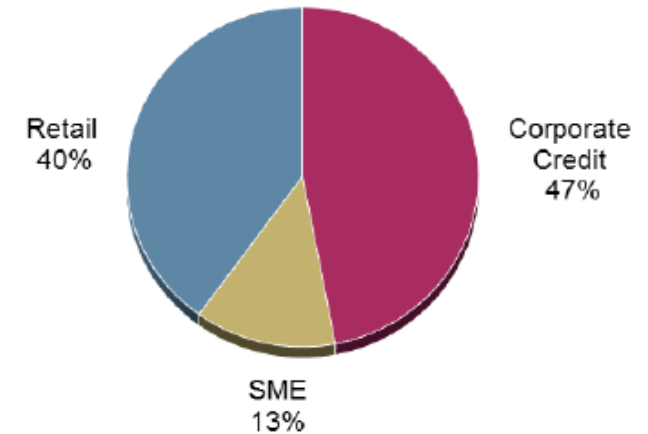


- CASA growth of 13% y-o-y on daily average basis
- RTD forms 64% of total TDs
- CASA+RTD forms 80% of total deposits

# Asset quality of the Bank has been steady in turbulent times



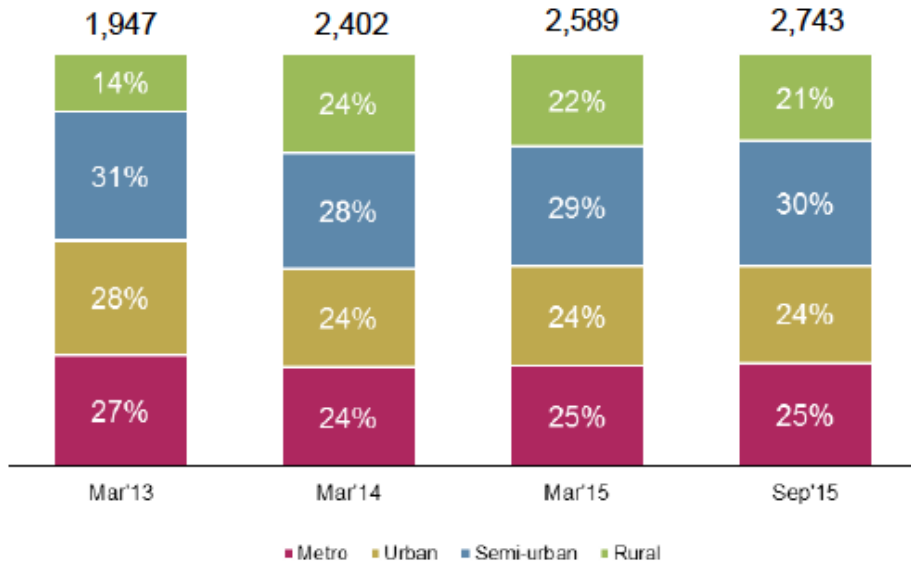
**Loan Mix**  
(As on September 30, 2015)



- In Q2, the Bank sold two assets, worth ₹1,820 cr to ARCs, against a consideration of ₹650 cr.
- We utilised ₹850 cr from contingent provisions built in prior quarters to absorb the write-off against these loans.

# The retail franchise continues to grow strongly

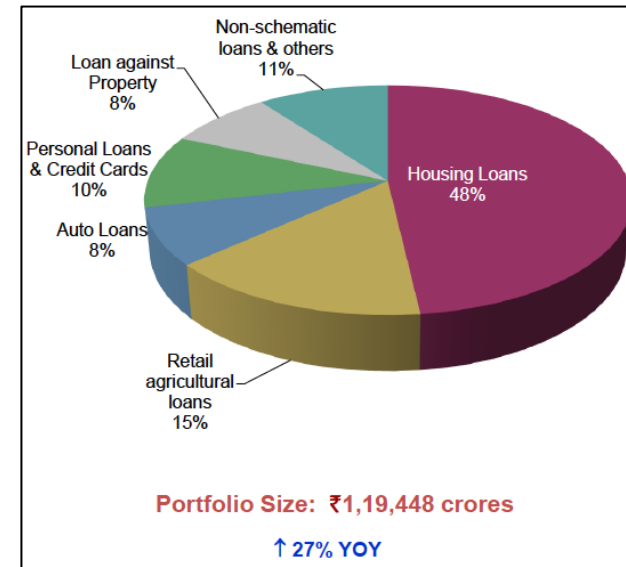
## Domestic Branch network<sup>1</sup>



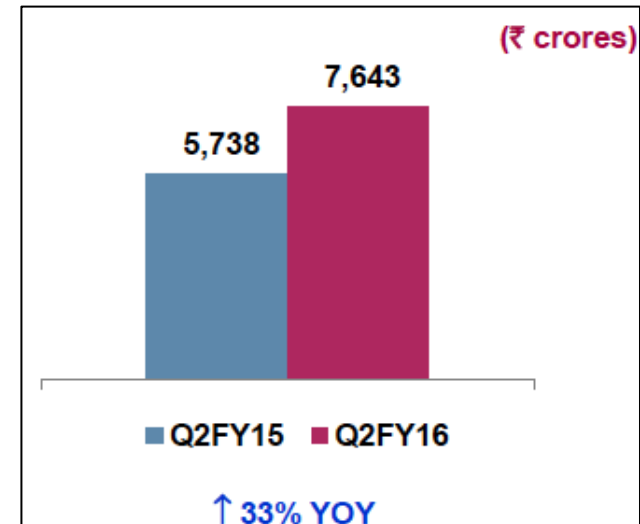
<sup>1</sup> Including extension counters

- 154 new branches opened in H1
- Continued momentum in Retail Advances – now 40% of advances book
- Growth in Cards business continues to be extremely strong

## Retail Lending Portfolio Mix



## Card Spends

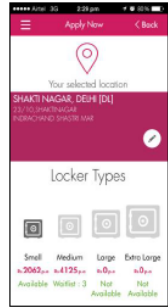




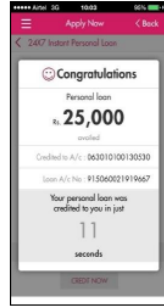
# With Digital now front and center in the Bank's retail strategy, clear customer outcomes are starting to become visible



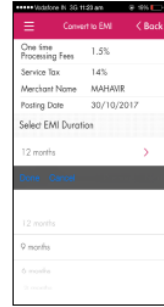
The Award-winning Mobile App



Locker on Mobile



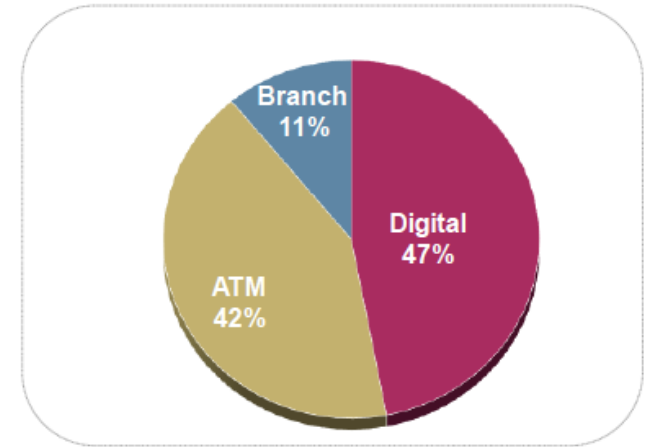
Instant Personal Loan



Conversion to EMI

**414%** growth in spends  
YOY growth as on September 30, 2015

Channel Mix – Q2FY16

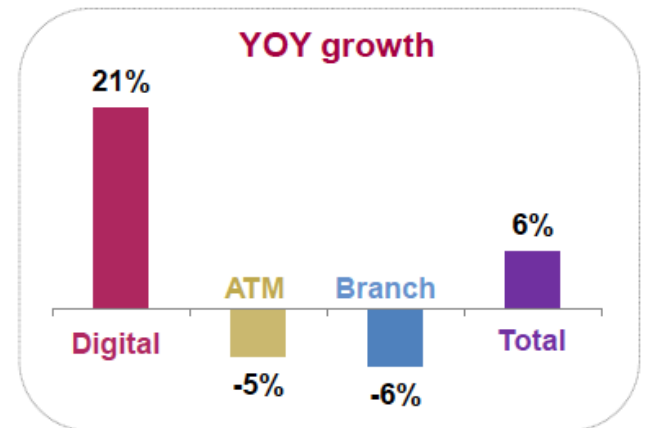


Lime: An integrated money management platform



- SHOP Seamless shopping experience
- PAY Simplified payments & transfers
- WALLET Multi-purpose wallet
- BANK Completely digitised bank
- AND MUCH MORE...

Ping Pay: The multi-social Payments App



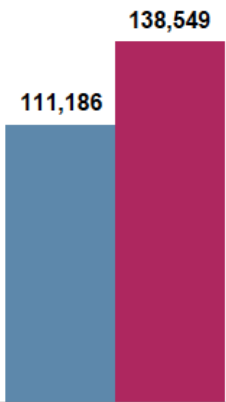
Note: Based on number of all financial transactions performed by individual customers

# The Corporate Bank is delivering robust growth in a slow market

## Advances

(₹ crores)

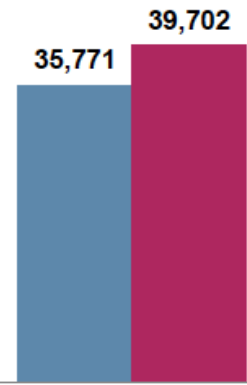
Corporate  
Banking



■ Sep '14 ■ Sep '15

↑ 25% YOY

SME



■ Sep '14 ■ Sep '15

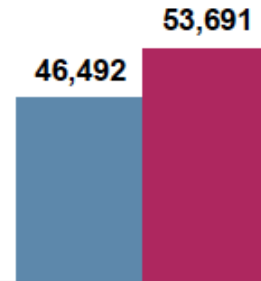
↑ 11% YOY

SME loans (including non-retail agriculture loans) grew 9% YOY

## Transactions

₹ crores

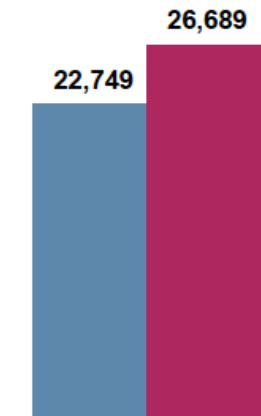
Current  
Accounts



■ Sep '14 ■ Sep '15

↑ 15% YOY

CMS  
Accounts

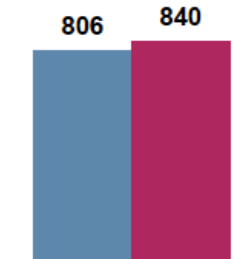


■ Sep '14 ■ Sep '15

↑ 17% YOY

## Fees

₹ crores

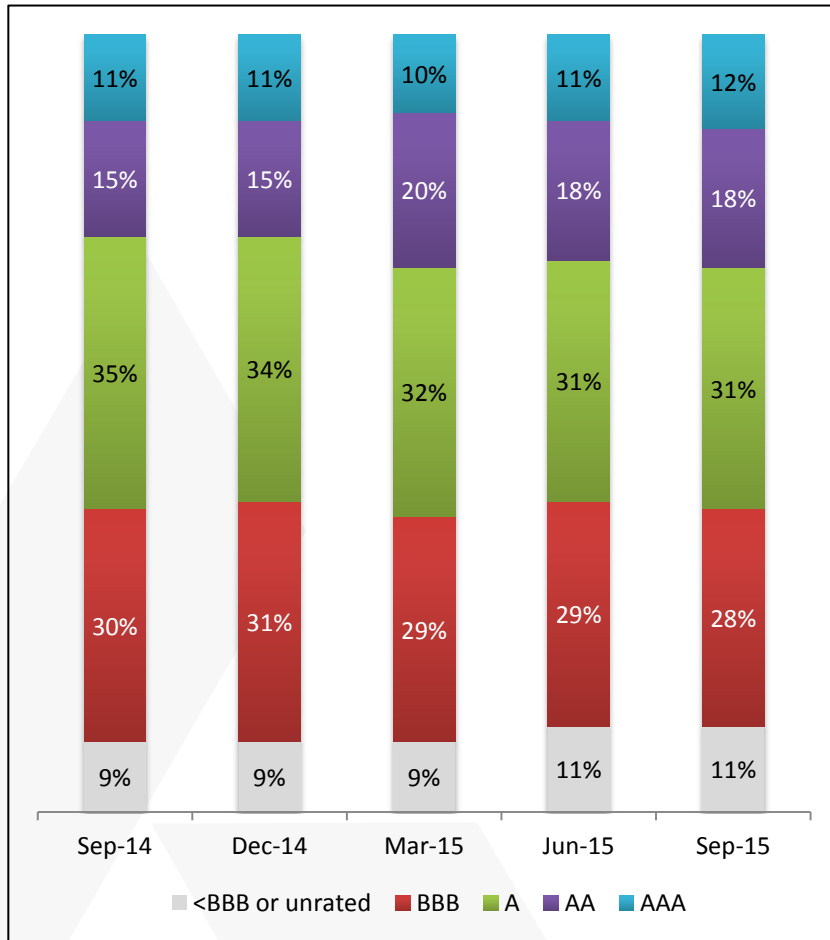


■ H1FY15 ■ H1FY16

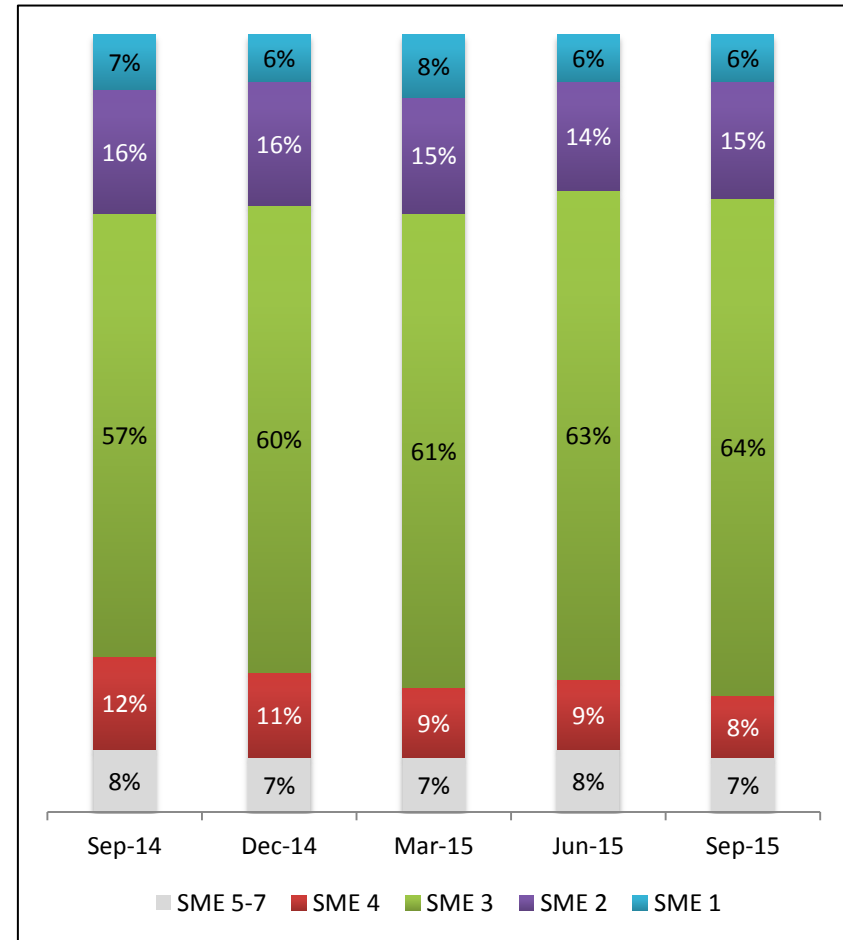
↑ 4% YOY

# The growth in Corporate Banking has come with steadily improving rating distribution, even in the face of significant downgrades

Rating Distribution - Corporate Banking



Rating Distribution - SME



- 61% of corporate advances are rated 'A' or better in September 2015
- 85% of SME advances are 'SME3' or better in September 2015

# In Summary, the Bank is in a great position in the competitive environment

- Financially strong:
  - *Healthy capital ratios; strong profitability ratios; moderate risk levels*
- Conservative provisioning
- Solid retail franchise:
  - *Strong on both deposit and lending side; extensive network; loyal customer base*
- Strong capabilities in Corporate Banking:
  - *Increasing focus on Transaction Banking, over and above traditional strengths*
- Powerful Brand that resonates with the youth
- Demonstrated, *and continued*, delivery of profitable growth

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